2021 UK ADSPEND FORECAST FOR SLOWER RECOVERY

Critical Christmas Q4 2020 forecast down £724m year-on-year

London, October 29 2020: The latest Advertising Association/WARC Expenditure Report has downgraded its 2021 forecast to a return-to-growth of 14.4%, lower than the figure of 16.6% predicted in July. Growth in 2021 will fall just short of offsetting this year's losses completely, meaning the UK's ad market is now not expected to recover fully until 2022.

Adspend is set to fall by 14.5% this year to £21.5bn as a result of the COVID-19 outbreak, equating to a loss of £3.6bn compared to 2019. The final quarter of this year – traditionally the Golden Quarter for retail and adspend because of the Christmas Advertising season – is set to see a 10.5% drop to a total of £6.2bn, some £724m lower than the previous year.

The latest industry data also show that UK adspend fell by 33.8% in Q2 2020 at the height of the nation's lockdown. This was the worst ever quarter recorded for the UK's advertising industry and contributed to a 14.9% dip over the first half of the year, equating to a loss of £2bn when compared to the same period in 2019.

The new data show investment fell across all advertising formats in Q2, with some sectors that were shut down, such as cinema, and those that lost significant amounts of consumer contact, such as out of home and direct mail, seeing significant declines. As the population was encouraged to remain at home, online and digital formats performed relatively less badly than others, though each recorded their first annual falls in advertising investment.

Looking ahead to 2021, cinema adspend is forecast to rise by 138.3% as picture houses reopen and films that have been postponed make it to screens. Other media predicted to perform well year-on-year include out of home (+57.1%), regional newsbrands (+16.2%) and magazine brands (+18.8%), underpinned by strong growth in their online formats.

Stephen Woodford, Chief Executive, Advertising Association commented:
"These stark figures demonstrate the strain that all parts of the advertising ecosystem were under during the second quarter. Large parts of our industry and the wider economy were effectively shut down. Events of recent weeks have shown this will be no straight-forward recovery as different parts of our country enter or leave local conditions at varying speeds. We must boost growth and support jobs through an advertising tax credit and a skills programme to aid colleagues facing unemployment. It is essential that our workforce, business, and Government work together on the recovery plan for our industry and our country."

James McDonald, Head of Data Content, WARC commented:
"The latest results show that the UK's advertising industry endured its worst quarter on record during Q2 2020, an unprecedented period in which a national lockdown was imposed in response to the COVID-19 outbreak.

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“Advertising trade remains depressed, and the rising likelihood of sustained localised lockdowns over the winter, a disorderly exit from the European Union in December, and a prolonged economic recovery embodied by rising unemployment, now leads us to believe that the industry will not fully recoup this year’s losses until 2022.”

Media	Q2 2020 year-on-year % change	H1 2020 year-on-year % change	2020 forecast year-on-year % change	Percentage point (pp) change in 2020 forecast vs July	2021 forecast year-on-year % change
Search	-20.6%	-3.7%	-7.5%	+4.8pp	16.1%
Online display*	-13.9%	0.2%	-3.1%	+4.8pp	8.2%
TV	-39.3%	-19.9%	-12.0%	+2.5pp	11.2%
of which VOD	-30.1%	-5.0%	1.4%	+2.6pp	19.5%
Online classified*	-51.4%	-32.6%	-32.7%	-5.9pp	16.1%
Direct mail	-62.4%	-39.5%	-29.7%	-3.5pp	8.6%
Out of home	-83.0%	-44.8%	-39.5%	-14.1pp	57.1%
of which digital	-77.5%	-38.8%	-35.0%	-14.1pp	60.2%
National newsbrands	-44.8%	-25.6%	-25.0%	-3.8pp	11.5%
of which online	-19.6%	-4.2%	-7.5%	+3.9pp	8.9%
Regional newsbrands	-52.8%	-34.3%	-33.1%	-5.6pp	16.2%
of which online	-43.6%	-23.7%	-24.4%	-3.4pp	24.4%
Magazine brands	-48.2%	-31.1%	-28.7%	-4.5pp	18.8%
of which online	-47.2%	-34.7%	-27.0%	-3.7pp	25.3%
Radio	-45.7%	-25.2%	-22.0%	-1.0pp	15.2%
of which online	-32.9%	-19.6%	-15.9%	+2.5pp	17.7%
Cinema	-100.0%	-61.3%	-64.5%	-20.3pp	138.3%
TOTAL UK ADSPEND	**-33.8%**	**-14.9%**	**-14.5%**	**+1.1pp**	**14.4%**

Note: Broadcaster VOD, digital revenues for newsbrands, magazine brands, and radio station websites are also included within online display and classified totals, so care should be taken to avoid double counting. Online radio is display advertising on broadcasters’ websites.
Source: AA/WARC Expenditure Report, October 2020

Forecast year-on-year % change	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Search	-14.0%	-8.3%	-3.7%	42.1%	18.8%	16.6%
Online display*	-5.7%	-6.1%	-6.3%	22.5%	12.2%	8.1%
TV	-6.3%	-2.7%	-2.2%	56.5%	7.6%	1.8%
of which VOD	4.7%	9.9%	3.0%	67.2%	17.3%	11.7%
Online classified*	-39.5%	-26.4%	-17.0%	63.9%	29.0%	7.7%
Direct mail	-28.0%	-12.0%	-12.0%	85.0%	15.0%	-8.0%
Out of home	-52.9%	-19.6%	-7.9%	441.3%	107.9%	23.7%

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of which digital	-50.4%	-17.5%	-4.2%	349.2%	115.7%	28.7%
National newsbrands	-35.6%	-15.7%	-13.1%	46.8%	27.7%	5.8%
of which online	-18.4%	-3.7%	-5.4%	23.6%	16.5%	7.1%
Regional newsbrands	-43.5%	-20.5%	-18.9%	75.4%	43.2%	-0.8%
of which online	-38.8%	-11.3%	-11.7%	75.6%	48.5%	8.8%
Magazine brands	-36.2%	-16.6%	-12.1%	68.2%	32.5%	6.8%
of which online	-29.4%	-11.5%	4.9%	74.5%	28.0%	8.8%
Radio	-24.7%	-13.2%	-6.9%	66.5%	23.1%	1.7%
of which online	-15.1%	-9.5%	-3.8%	60.0%	19.6%	7.5%
Cinema	-68.1%	-66.1%	-28.1%	–	165.8%	219.8%
TOTAL UK ADSPEND	**-17.9%**	**-10.5%**	**-6.5%**	**48.6%**	**19.2%**	**9.8%**

Note: Broadcaster VOD, digital revenues for newsbrands, magazine brands, and radio station websites are also included within online display and classified totals, so care should be taken to avoid double counting. Online radio is display advertising on broadcasters' websites.
Source: AA/WARC Expenditure Report, October 2020

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About the Advertising Association/WARC Expenditure Report

The Advertising Association/WARC quarterly Expenditure Report is the definitive guide to advertising expenditure in the UK. Impartial and independent of any media channel or agency affiliation, it is the only source of historical quarterly adspend data and forecasts for the different media for the coming eight quarters. With data

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from 1982, this comprehensive and detailed review of advertising spend includes the AA/WARC's own quarterly survey of all national newspapers, regional newspaper data collated in conjunction with Local Media Works and magazine statistics from WARC's own panels. Data for other media channels are compiled in conjunction with UK industry trade bodies and organisations, notably the Internet Advertising Bureau, Outsmart, Radiocentre and the Royal Mail.

All data are net of discounts and include agency commission, but exclude production costs. The survey was launched in 1981 and has produced data on a quarterly basis ever since.

Methodology for WARC's quarterly forecasts

Analysis of annual adspend data over the past 35 years shows that there is a link between annual changes in GDP and annual changes in adspend (after allowing for inflation, and excluding recruitment adspend). Over this period, GDP changes account for about two thirds of the change in adspend. WARC has developed its own forecasting model to generate forecasts for two years based on assumptions about future economic growth. The model provides an indication of likely overall spend levels – adjusted to allow for short-term factors (Olympics, World Cup etc).

The Expenditure Report (www.warc.com/expenditurereport) launched online in February 2010 and combines data from the discontinued print publications the Quarterly Survey of Advertising Expenditure and the Advertising Forecast. It is relied upon daily by the world's largest brands, ad agencies, media owners, investment banks and academic institutions. Alongside over 200 readymade tables, subscribers can create their own customised tables for analysis of different media and time periods, as well as track the different media's share of adspend. All reports can be exported from the online interface. An annual subscription is priced at £760 for AA members and £1,175 for nonmembers.

About the Advertising Association

The Advertising Association promotes the role, rights and responsibilities of advertising and its impact on individuals, the economy and society. Responsible businesses understand that there is little point in an advertisement that people cannot trust. That's why, over 50 years ago, the Advertising Association led UK advertising towards a system of independent self-regulation which has since been adopted around the world. There are nearly thirty UK trade associations representing advertising, media and marketing. Through the Advertising Association they come together with a single-voice when speaking to policy-makers and influencers.

About WARC

WARC is part of Ascential: the path-to-purchase company that combines intelligence, data and insights to drive growth in the digital economy. We do this by delivering an integrated set of business-critical products in the key areas of product design, marketing and sales.

For over 30 years WARC has been powering the marketing segment by providing rigorous and unbiased evidence, expertise and

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guidance to make marketers more effective. WARC services include 18,000+ case studies, 90,000+ best practice guides, research papers, special reports and advertising trend data, webinars, awards, events and advisory services; has 1,200+ client companies, 21,500+ active users in 100+ countries; collaborates with 50+ industry partners; has offices in the UK, US, China and Singapore.

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